



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

June 12, 2001

Ann Norman  
Branch Manager  
Wells Fargo Bank  
95 North Main  
Payson, Utah 84651

Re: Authorization for Partial Release of Reclamation Surety, Certificate of Deposit (CD), North Lily Mining Company, Tintic Project, M23/007, Juab County, Utah

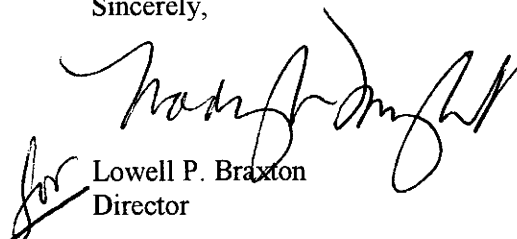
Dear Ms. Norman:

Wells Fargo Bank (formally First Security Bank) is presently holding a Certificate of Deposit #~~0123456789~~ for the benefit of the State of Utah, Division of Oil, Gas and Mining as a form of reclamation surety for North Lily Mining Company's, Tintic Mine Project. At the company's request and after site inspections to verify that reclamation work has been satisfactorily completed, this letter will authorize the release of sufficient principal to reduce the face value of the Certificate to no less than \$32,500 dollars. As of June 6, 2001, the Certificate balance with interest was reported at \$163,808 dollars. The partial payment should be directed to North Lily Mining Company (see attached release notification letter). We understand that a 3-month interest penalty may apply for early withdrawal of the certificate.

When this transaction has been accomplished, please furnish us with written confirmation that appropriate funds have been released and that the balance of retained funds will remain at \$32,500.

If you have any questions or concerns, please contact Mary Ann Wright at (801) 538-5306, or Wayne Hedberg at (801) 538-5286. Again, thank you for your help in this matter.

Sincerely,

  
for Lowell P. Braxton  
Director

jb  
Attachment: 6/12/2001 release letter  
cc: Steve Flechner, North Lily  
Mary Ann Wright, DOGM  
Wayne Hedberg, DOGM  
O:\northlily\M23-07-interest-rel.doc

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June 12, 2001

Mr. Steve Flechner  
North Lily Mining Company  
1800 Glenarm Place  
Denver, Colorado 80202

Re: Approval of 2<sup>nd</sup> Request for Partial Bond Release, North Lily Mining Company, Tintic Project,  
                    Juab County, Utah

Dear Mr. Flechner:

On June 1, 2001, North Lily made a formal request for a 2<sup>nd</sup> partial bond release for reclamation work completed at North Lily's Tintic Project. North Lily has requested that \$108,024 (plus appropriate contingency and escalation factor adjustments) be released from the required \$155,100 certificate balance. The reduction amount was based upon the itemized costs contained in the current reclamation bond estimate. Your letter requested credit for the following reclamation tasks:

- \$ 5,000 (Demolition of Buildings and Facilities)
- \$ 9,696 (Debris & Equipment Removal)
- \$ 470 (Regrade Facilities Area)
- \$ 5,640 (Regrade Solution Ponds)
- \$ 704 (Ripping Stockpile and Compacted Areas)
- \$19,380 (Topsoil Replacement)
- \$ 1,070 (General Site Clean-up and Trash Removal)
- \$ 500 (Equipment Mobilization)
- \$ 2,790 (Reclamation Supervision)
- \$59,798 (Post Closure Fluid Management System)
- \$ 2,976 (Construction Supervision)

We have reviewed the reclamation tasks performed and the dollar amounts requested. As you know, OGM and DWQ staff have performed onsite inspections confirming that these tasks are completed. Both agencies agree that this partial bond release is justified. A total of \$122,600 dollars is hereby released, which includes contingency and escalation factors. We will instruct Wells Fargo Bank to retain \$32,500 of the current certificate balance for the post-closure monitoring provisions and the residual revegetation work that must be completed this fall (see attached cost breakdown sheet). Any accrued interest above the \$155,100 base amount may also be released to North Lily.

# RECLAMATION SURETY ESTIMATE

North Lily Mining Company

last rev. 03/01/01

Tintic Project

filename M023-00

M/023/007

Juab County

Prepared by Utah State Division of Oil, Gas & Mining

- This estimate uses a D8 size dozer for most earthwork

## Acreage Totals

Heaps - 16.6 Buildings - 1 Topsoil Area - 3.2 Borrow - 2.6 Ponds - 1.2

**DRAFT**

Note: actual unit costs may vary according to site condition last unit cost update 08/25/99

-Amount of disturbed area which will receive reclamation treatment 24.6 acres

-Estimated total disturbed area for this mine = 24.6 acres

Activity	Quantity	Units	\$/unit	\$
Demolition of buildings & facilities	1	lump su		5,000
Debris & equipment removal - trucking	10	trips	48	480
Debris & equipment removal - dump fees	100	ton	55	5,500
Debris & equipment removal - loading trucks w/F	16	hours	176	2,816
Demolition & debris removal - general labor	60	hours	15	900
Regrading facilities areas (1 ft depth)	1.0	acre	470	470
Hazardous Waste Disposal	1	lump su	10000	10,000
Regrading heap slopes	26,000	CY	0.47	12,220
Regrade Solution Ponds	12,000	CY	0.47	5,640
Ripping stockpile & compacted areas	5.8	acre	220	1,276
Ripping site - prior to seeding	18.8	acre	220	4,136
Topsoil replacement - truck & FE loader	38,000	CY	2.55	96,900
Composted manure (10 ton/acre)	24.6	acre	300	7,380
Broadcast seeding	24.6	acre	170	4,182
General site cleanup & trash removal	21.4	acre	50	1,070
Equipment mobilization	2	equip	1000	2,000
Reclamation Supervision	10	days	372	3,720
10% Contingency				16,369
Escalate for 2 years at 3.13% per yr				11,448
				191,507
				191,500
Average cost per disturbed acre =				\$7,785

Status

Release Requested

Release Authorized 03/20/01

Release Authorized 06/01/01

Bond Amounts Remaining 06/01/01

partial

Comp.

partial

partial

partial

partial

partial

Incomp.

Subtotal

Subtotal

Subtotal

Total

Rounded surety amount in yr 2002-\$

## Bonding Calculations for Additional Activities

Construction of Post Closure Fluid Management System	Lump Sum		\$59,798.00
Construction Supervision	8 Days	\$372	\$2,976.00
Post-Closure Monitoring/analysis and handling, data reporting, site mgmt.	5 years per year	\$1500	\$7,500.00
	5 year	\$1,000	\$5,000.00
	Subtotal		\$75,274.00
10% Contingency			\$7,527
	Subtotal		\$82,801
Escalate for 1 years at 3.13% per yr			\$2,592
	Total		\$85,393
	Rounded Amount		\$85,400

Amount of Bond to be Released

North Lily bond Release Authorization

\$121,800

Additional Bonded Activities Cost

\$85,400

Bond Amount Authorized for Release

Total

\$36,400.00

Present North Lily Bond Amount

\$191,500.00

Authorized Release Amount

\$36,400.00

Bond Amount Remaining for Final Reclamation

\$155,100.00

Amount of North Lily Bond Remaining

\$155,100

\$122,600

\$32,500